



OFFICE OF FEDERAL
PROCUREMENT POLICY

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EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

Executive Registry
78-1498/1

MAY 17 1978

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MEMORANDUM TO HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Anti-Inflation Measures in Federal Purchasing

The President is preparing to issue a memorandum in which he will direct anti-inflation actions to be taken in connection with Federal purchasing. My Office, in coordination with the agencies, will be tasked to implement two specific actions:

- . To avoid or reduce the purchase of goods or services whose prices are rising rapidly.
- . To reflect the principle of deceleration in all new or renegotiated Federal contracts which contain escalation clauses.

As an administrative mechanism, I would like to set up an "Anti-Inflation Council," with a representative from each of the agencies currently represented on the Interagency Procurement Policy Committee. We will be receiving from the Council on Wage and Price Stability and the Council of Economic Advisers guidance on which goods and services require special inflation attention. We will then decide what actions we would be able to take and the procedures to be followed.

The first meeting of this Council will be held on Friday, May 26, 1978 at 10:00 A.M. in Room 2008 of the New Executive Office Building. Please let me have the name and phone number of your designated representative by May 24, 1978. Council members should be prepared to discuss:

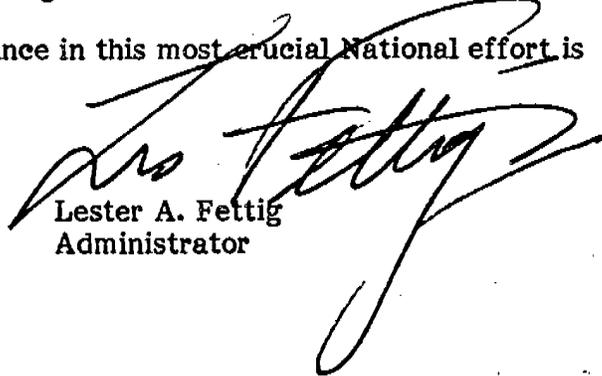
1. Specific purchases to which we can most effectively apply the President's directive; how buying activities can be instructed; special stocking and distribution considerations; and
2. The specifics of implementing the deceleration principle in price escalation contracts; which contracts will be covered; opportunities for renegotiation of existing contracts with long periods of performance; indexing and related considerations.

Please be assured that we intend to implement the President's directive with utmost sensitivity to agency mission performance and the business base for Federal suppliers. I am hopeful that we can find effectively tailored procedures so that purchases can be avoided, postponed, or substituted without denigrating National

security or bringing about counterproductive unemployment, and that the principle of deceleration can be made to work, without counterproductive increases in other contract costs.

If you have any questions concerning this meeting, please call Joseph D. Cohn, Deputy Associate Administrator for Regulations and Procedures (395-3487).

Your cooperation, advice and assistance in this most crucial National effort is solicited and appreciated.



Lester A. Fettig
Administrator

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THE WHITE HOUSE
WASHINGTON

May 18, 1978

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File *Buildings & Grounds*

MEMORANDUM FOR THE HEADS OF
EXECUTIVE DEPARTMENTS AND AGENCIES

Inflation is a corrosive nation-wide problem, and yet the Federal Government's direct control over wages and prices is limited. If we are to expect labor and industry to join in voluntary restraints, then we must lead the way where we can.

I have already ordered pay raises reduced for Federal employees. To complement and balance this constraint on labor in the public sector, I am now ordering additional anti-inflation actions through the Federal Government's \$81 billion annual purchases of goods and services.

Like any consumer, the Government must react to high costs and the inflationary spiral. If goods or services are priced too high, the Government must decide whether it can do without certain things, or whether it can delay purchases. Therefore, I hereby direct all Agencies to avoid or delay the purchase of those goods or services whose prices are rising rapidly. The only exceptions will be where such action (1) would seriously jeopardize our National defense, or (2) would cause serious and counterproductive unemployment problems; and suitable alternatives or substitutes are not available.

In addition, I am directing that price escalation clauses of all new or renegotiated Federal contracts reflect the principle of deceleration. This will slow the built-in spiral of inflation in several billion dollars worth of purchases.

These new procurement procedures, and others to come, will be carried out by OMB's Office of Federal Procurement Policy in cooperation with the Agencies.

Subject

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Remarks:

NOTE deadline!

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Remarks:

6: note 24 may deadline

5/19/78
 Executive Secretary